

Investment Committee Meeting

Held at the Office of the Policemen's Annuity and Benefit Fund of Chicago (the Fund)

Held on January 28, 2019

Presiding: Trustee and Investment Committee Chair: Mr. Thomas Beyna

Present: Trustees: Ms. Samantha Fields, Ms. Carol Hamburger, Mr. Michael Lappe, and Mr. Brian Wright

Not Present: Trustees: Ms. Carole Brown, Mr. Kurt Summers, Jr., and Edward Wodnicki

Fund Office: Mr. Kenneth Kaczmarz, Interim Executive Director, Ms. Caroline Vullmahn, Comptroller, and Mr. Justin Kugler, In-House Counsel

NEPC, LLC Mr. Kevin Leonard, Partner (via telephone), Ms. DeAnna Jones, Senior Analyst, and Ms. Kristen Finney-Cooke, Senior Analyst

Others present Ms. Christine Williamson, Senior Reporter, Pensions & Investments

President Beyna called the meeting to order at approximately 9:30 a.m.

I. Cash Flow Update

Fund Comptroller Caroline Vullmahn presented the Fund's Cash Flow update and anticipated cash needs at February 28, 2019 including known cash balances, net inflows and net outflows as of January 31, 2019. Based on the foregoing information, it is recommended that \$95 million will be needed at the end of February 2019. NEPC recommends that the amounts be derived from redemptions of the following:

Up to \$27.5 million from William Blair SMID growth
Up to \$27.5 million from Fisher SMID Value
Up to \$20 million from Artesian International Equity
Up to \$20 million from UBS International Equity

On motion of Trustee Wright and seconded by Trustee Lappe to approve the recommended redemptions.
ROLL CALL

For: Beyna, Fields, Hamburger, Lappe, and Wright (5)
Against: None (0)
Absent Brown, Summers, and Wodnicki (3)

Additionally, NEPC recommended the redemptions of \$12.5 million each in Fixed Income securities from the following accounts to fund Lazard Emerging Income Ltd. and BlackRock Emerging Market Debt respectively.

\$12.5 million from Manulife
\$12.5 million from MacKay Shields

On motion of Trustee Wright and seconded by Trustee Lappe to approve the recommended redemptions.

ROLL CALL

For: Beyna, Fields, Hamburger, Lappe, and Wright (5)
Against: None (0)
Absent Brown, Summers, and Wodnicki (3)

II. Performance Discussion

Trustee and Investment Committee Chair, Thomas Beyna and Mr. Kevin Leonard of NEPC reviewed the monthly performance flash at December 31, 2018 as provided by the Northern Trust. Mr. Leonard reviewed the highlights of the unaudited report:

The Fund's overall portfolio was valued at \$2,325,812,012 as of December 31, 2018.

The overall portfolio posted a return of -7.1% for the fourth quarter versus a return of -6.7% for the Fund's comparison Benchmark portfolio for the same time period. For the year ended December 31, 2018 the portfolio returned -5.9% slightly underperforming the Benchmark portfolio return of -4.9%.

The Fund's U.S. Equities returned -8.3% for the quarter and -16.1% for the year versus the Russell 3000 return of -5.2% and -14.3% respectively.

The Fund's Non Us Equities returned -12.9% versus the MSCI ACWI Index benchmark return of -11.5%.

The Fund's Fixed Income Portfolio returned +.14 for the quarter underperforming the Fund's Fixed Income Benchmark of +1.64%. For the year the Fund's fixed income portfolio returned -.96% versus the benchmark return of +.01% for the same period.

Private Credit and Infrastructure both added value for the quarter and the year.

Current Private Real Estate portfolios managed by Morgan Stanley and UBS returned 1.6% and 1.3 % for the quarter and 6.4% and 5% for the year respectively.

The Fund's Global Tactical Allocation portfolio managed by PIMCO returned -3.3% versus the benchmark return of -1.1% for the 4th quarter.

III. NEPC 2019 Investment Outlook

Mr. Kevin Leonard of NEPC reviewed the 2019 Asset Class Overview report to the Board which is published annually by NEPC for the benefit of their Institutional Clients. The report provides both intermediate and longer term return forecast scenarios.

Mr. Leonard indicated that the Fund's portfolio is positioned appropriately relative to the results of the forecasts outlined in the report. Some minor differences between the Fund's target allocations and the optimized portfolios expressed in the forecasts may be easily reconciled by the Fund's Drawdown mechanism used to manage cash flows.

The model provides a comparison of the Fund's current portfolio weights against the revised current weightings by categories and expresses an anticipated Rate of return for the total portfolio utilizing expected index returns for each category. The anticipated intermediate return (5-7 years) for the Fund's current allocation actually increases from 6.3% for 2018 to 6.4% for 2019. The anticipated longer term rate of return (30 years) for the Fund's current allocation increases from 7.4% to 7.6 %. These increased returns are forecast utilizing Index returns. The Fund's utilization of alpha generating active managers would in all likelihood provide higher returns of the models prove to be accurate.

Mr. Leonard also indicated that some of the underlying themes and opportunities highlighted by the modelling are as follows:

- Rebalance Market Equities
- Expand higher credit fixed income securities
- Reduce lower quality credit securities
- Overweight Emerging Market Equities
- Add Long Volatility Exposures
- Fund Public Midstream Energy Exposure
- Fund Emerging Local Debt

IV. Departure of Key personnel Blueprint Capital Advisors (Blueprint)

Ms. DeAnna Jones advised the Board that Catherine Beard, Director of Research at Blueprint Capital had departed the firm. NEPC previously commented that Ms. Beard was integral to the operation of Blueprint and based on her departure recommended the termination of Blueprint.

On motion of Trustee Lappe and seconded by Trustee Wright to approve the recommended termination of Blueprint Capital Advisors.

ROLL CALL

For: Beyna, Fields, Hamburger, Lappe, and Wright (5)
Against: None (0)
Absent: Brown, Summers, and Wodnicki (3)

V. Miscellaneous

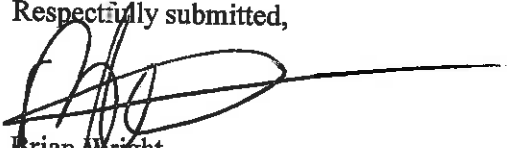
Update on GAM Unconstrained Portfolio. Ms. Jones reported that 81% of the portfolio has been liquidated and returned to the Fund and that the remainder should be completed by March 2019.

Ms. DeAnna Jones from NEPC provided a status of all pending investment transactions authorized by the Board. Further status updates are provided in weekly calls with Bob Perez, Investment Counsel with Foster Peppers.

It was moved by Trustee Wright and seconded by Trustee Hamburger that the January 28, 2018 Investment Committee meeting be adjourned.

For: Beyna, Fields, Hamburger, Lappe, and Wright (5)
Against: None (0)
Absent: Brown, Summers, and Wodnicki (3)

Respectfully submitted,



Brian Wright
Recording Secretary of the Board of Trustees
Investment Committee Member